

December 31, 2003

Excess of revenue over expenditures	\$3,012,921
Add:	
Interest Paid on Bonds	2,415,993
Deferred debt amortization	43,270
Depreciation expense	3,290,588
Net Pledged Revenues	<u>\$8,762,772</u>
Debt Service Requirements on Bonds in 2003	<u>\$4,155,993</u>
Coverage ratio	<u>211%</u>
Required coverage ratio	<u>110%</u>

Under the 2003 Bond Indenture the Waterworks System rates and charges must be sufficient to produce Net Revenues at least adequate to provide for (i) the payments required by the Bond Legislation to be made into the Revenue Fund, (ii) sufficient funds to pay the Principal and Interest Requirements on any General Obligation Bonds, General Obligation Notes and all other Obligations of the County incurred for Sewer System purposes, (iii) sufficient earnings coverage to permit the issuance of the Additional Bonds required for the construction of necessary or advisable extensions or improvements of the Waterworks System and (iv) to provide for the normal growth and sound operation of the Waterworks System. Failure to maintain the required coverage ratio can be an event of default if remedial action is not taken.

### **COUNTY DEBT AND OTHER LONG TERM OBLIGATIONS**

The following describes statutory and constitutional debt and ad valorem property tax limitations applying to the County and presently outstanding and projected bond and note indebtedness and certain other long-term financial obligations of the County.

In recent years the County has issued a number of industrial revenue bond issues. No schedule for these bonds is provided because such bonds do not represent an obligation of the County. These bonds are payable solely from rentals and other revenues derived from the lease, sale or other disposition of the projects financed thereby.

No bonds have been authorized by the electors that have not yet been issued.

The County is not and has never been in default on any of its debt obligations.

#### **Statutory Direct Debt Limitations**

The Revised Code provides that the aggregate principal amount of unvoted "net indebtedness" of a county, such as the County, may not exceed one percent of the total value of all property in such county as listed and assessed for taxation, and that the aggregate principal amount of voted and unvoted "net indebtedness" of such county may not exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of

such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000.

In calculating "net indebtedness," the Revised Code provides that certain obligations of a county are not to be considered in the calculation, including self-supporting obligations, revenue bonds, and special assessment debt. (For a complete list of exempt debt see the Financial Statement attached as Appendix C.)

Other infrequently-issued types of obligations are also excluded from the calculation of net indebtedness; the County has such obligations outstanding. Notes issued in anticipation of bonds excluded from the calculation of net indebtedness are also excluded from such calculation.

In calculating net indebtedness, amounts in a county's bond retirement fund allocable to the principal amount of bonds otherwise included in the amount of net indebtedness are deducted from the total net indebtedness of such county.

Appendix C of this Annual Statement is a Financial Statement for the County, certified by the County Auditor, calculating the amount of the outstanding obligations of the County which are subject to the total direct debt limit (3%, 1½%, 2½% limit) and the unvoted direct debt limit (1% limit). The total principal amount of voted and unvoted general obligation debt that could be issued by the County, subject to the total direct debt limitation is \$91,239,125 and the County's net debt subject to such limitation presently outstanding is \$14,434,199 leaving a balance of approximately \$76,804,926 borrowing capacity issuable within such limitation on combined voted and unvoted non-exempt debt. The County has no voted debt outstanding that is subject to such limitation.

The total unvoted County general obligation debt that could be issued subject to the one percent unvoted direct debt limitation is \$37,095,650. The net County debt subject to such limitation presently outstanding is \$14,434,199, leaving a balance of approximately \$22,661,451 debt that could be issued by the County under such one percent limitation.

However, as described below, the County's ability to incur debt in these amounts is restricted by the indirect debt limitation. In the case of unvoted general obligation debt, both the direct and the indirect debt limitations must be met.

The Financial Statement attached as Appendix C lists the County's outstanding debt as of June 1, 2004, represented by bonds, notes and certificates of indebtedness, characterized according to its exempt or non-exempt status.

### **Indirect Debt Limitations**

Pursuant to Ohio law, a maximum tax levy of ten mills per dollar of assessed valuation (tax list) can be levied on any property without a vote of the people. The first charge against these ten mills is the debt service requirements on all limited tax general obligation bond and note issues of all overlapping political subdivisions. These ten mills are available for the debt service requirements of both limited tax bonds and notes for which tax levies are actually made to pay principal and interest, and limited tax bonds and notes supported by revenues or municipal income taxes and not actually levied unless such other sources become insufficient.

Calculations with respect to compliance with the ten-mill limitation are made for the year in which pledged millage for unvoted general obligation bonds (or notes) of all overlapping political subdivisions is the highest. When notes are involved, theoretical debt service requirements for the bonds in anticipation of which such notes are issued are used in calculating aggregate pledged millage within the ten-mill limitation, and an assumed rate of interest for the bonds whose issuance is so anticipated is employed. A ten-mill statement dated June 1, 2004, is attached as Appendix D.

Because bonded indebtedness in Ohio cannot be incurred or renewed unless provision is made for levying taxes to pay debt service on the indebtedness (except in the case of indebtedness payable solely from revenues or special restricted-purpose tax levies), the ten-mill tax limitation represents an indirect limitation on a political subdivision's capacity to incur debt within applicable direct debt limitations. Capacity within the ten-mill limitation is available to be pledged for debt service by overlapping political subdivisions having unvoted debt capacity on a first-come, first-served basis, and because of the disparity in the sizes of the tax lists or duplicates, a political subdivision with a relatively small tax list whose territory overlaps that of a political subdivision with a relatively large tax list can use up indirect debt capacity available to both through the issuance of a given principal amount of debt much more quickly than could the latter subdivisions issuing the same amount of debt.

A constitutional amendment designed to remove this indirect debt limitation was defeated by the voters of the State at the primary election on June 8, 1976.

At the present time, Loveland City is the taxing subdivision in the County with the highest potential millage requirements for debt service on its own unvoted general obligation debt; the amount theoretically required being approximately 3.54930 mills. The County is using 1.63634 mills of that total, Loveland City is using 1.84102 mills and Great Oaks Joint Vocational School District is using .07194 mills. This amount leaves 6.4507 mills free to be used by the County for additional unvoted general obligation bonds. The ten-mill limitation is such that a relatively small issue by some other overlapping taxing subdivision with a small tax duplicate can encumber a significant amount of millage, thereby dramatically reducing the amount of unvoted general obligation debt that the County could issue.

### **Overlapping Debt**

The boundaries of the County include 2 cities, 11 villages, 14 townships, 1 city school district, 2 exempted village school districts, 11 local school districts, 4 vocational school districts and 1 special district, all of which are separate political subdivisions with operating and debt service funding independent from that of the County. Various contractual and other arrangements not material except as may be noted elsewhere herein are in effect between the County and certain of the other political subdivisions.

Boards of Education of the school districts cannot incur more than one-tenth of one percent of their respective tax lists as general obligation debt without majority approval by the voters of the respective school districts (Section 133.06, Revised Code). Such Boards of Education may request voter approval of general obligation debt not in excess of nine per cent of the tax list of the school district. Under State law, before seeking voter approval, a Board of

Education is required where applicable to receive the consent of the Ohio Department of Taxation and the State Superintendent of Public Instruction in accordance with policies adopted by the State Board of Education.

Cities and villages within the County are subject to the direct debt limitation imposed by Section 133.05 of the Ohio Revised Code, which provides that a municipal corporation's voted and unvoted debt may not exceed ten and one-half per cent of its tax list, and that its unvoted debt may not exceed five and one-half per cent of its tax list.

Certain classes of debt are exempt from these limitations, chief among which are special assessment debt; notes issued in anticipation of current revenues or taxes or for certain emergency purposes; revenue bonds for various purposes; self-supporting debt for utility and quasi-utility purposes; voted urban redevelopment bonds not exceeding two per cent of the issuer's tax list; self-supporting debt for recreational facilities; and debt covenanted to be paid from lawfully available municipal income taxes.

Under Ohio Revised Code Section 133.09, the net indebtedness of a non home-rule township, exclusive of special assessment debt, bonds issued in anticipation of the levy or collection of township tax levies, notes issued in anticipation of the levy or collection of township tax levies, notes issued in anticipation of current revenues or taxes or for certain emergency purposes, inheritance tax refund bonds (with the approval of the State Auditor's Office), and other debt not here material, shall never exceed five per cent of the township's tax list, and, with the exceptions noted, no such indebtedness shall be incurred unless authorized by vote of the electors of the township.

#### **Debt Table A**

##### **CLERMONT COUNTY OVERLAPPING DEBT EXCLUDING SELF SUPPORTING DEBT June 1, 2004\***

Population (2003)	191,000
Assessed Valuation (2003-2004)	\$3,709,565,020
Net Debt of County	\$17,240,000
Per Capita County Debt	\$90
County Debt as a Percentage of Tax Valuation	.46%
Net Overlapping Debt (All political subdivisions)	\$134,434,822
Per Capita Overlapping Debt	\$704
Overlapping Debt as a Percentage of Tax Valuation	3.62%

\*OMAC date of record is approximately three weeks ahead of actual date.

Source: Ohio Municipal Advisory Council

The net city debt in the County is \$3,973,571; village debt is \$194,000, the township debt is \$12,364,890; city school district debt is \$15,711,563; local school district debt is \$39,8893,026, exempted village school debt is \$43,946,576 and joint vocational school district debt is \$911,196.

Source: Ohio Municipal Advisory Council

## Bond Anticipation Notes

Under Ohio law applicable to the County, notes, including renewal notes, issued in anticipation of the issuance of general obligation bonds may be issued from time to time up to a maximum maturity of 20 years from the date of issuance of the original notes (except for notes issued in anticipation of special assessments, for which the maximum maturity is five years). Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated, and portions of the principal amount of such notes must be retired in amounts at least equal to and payable not later than principal maturities that would have been required if the bonds had been issued at the expiration of the initial five year period.

In July 2003, the County issued general obligation bonds in the amount of \$17,515,000. \$2,935,000 of this debt was to pay the outstanding principal balance on bond anticipation notes.

## O.W.D.A. Contracts

Since 1970, the Sewer District has entered into four contracts with Ohio Water Development Authority (OWDA) for various sewer projects. All four are currently outstanding with original terms of 40 years for 3 of the loans and 20 years for the 4th loan, and interest rates varying from 5.2% to 6.5%. The original principal amount of the outstanding contracts was \$2,879,386 and a total of \$1,593,605 remained outstanding on June 1, 2004. The remaining 2004 payments due for principal and interest are \$225,171. These contracts are not debts of the County and are not subject to either the direct or indirect debt limitations. They are obligations of the Sewer District, however, and are considered by the Sewer District in establishing rates sufficient to cover its operation and maintenance and debt service costs.

Dated	Original Amount	Interest Rate	Final Payment Date	6/1/04 Amount Outstanding
June 1970	\$ 296,910	6.25%	2014	\$151,730
Oct. 1970	231,785	6.50	2012	103,616
Dec. 1971	164,704	5.25	2014	78,097
Oct. 1991	<u>2,185,987</u>	5.20	2013	<u>1,260,162</u>
	<u>\$2,879,386</u>			<u>\$1,593,605</u>

These contracts are not bonded debt obligations of the County under Chapter 133 of the Ohio Revised Code, and are therefore not considered to count against the debt limitations.

## O.P.W.C. Contracts.

Since 1993, the Sewer District has entered into 7 loan agreements with the Ohio Public Works Commission (OPWC) for various sewer projects, and the County has entered into 1 loan agreement for road improvements. All 8 are currently outstanding with terms of 20 years and interest rates of 0-2%. The original principal amount of the outstanding loans was \$6,385,361 which was revised later to \$5,976,327 and a total of \$5,164,679 remains outstanding on June 1, 2004. The remaining 2004 payments due for principal and interest are \$274,322. The sewer

project debts are not debts of the County, but rather are obligations of the Sewer District and are considered by the Sewer District in establishing rates sufficient to cover its operation and maintenance and debt service costs. The road improvement loan is an obligation of the County with motor vehicle and gasoline tax funds used to pay debt service costs.

<u>Dated</u>	<u>Original Amount</u>	<u>Revised Amount</u>	<u>Interest Rate</u>	<u>Final Payment Date</u>	<u>6/1/04 Amount Outstanding</u>
February 1993	\$1,436,080.00	\$1,069,013.00	2%	2015	\$ 667,538.05
July 1996	1,436,000.00	1,394,033.00	0%	2018	1,010,673.87
October 1999	990,760.00	990,760.00	0%	2022	990,760.00
August 2000	300,000.00	300,000.00	0%	2022	300,000.00
August 2000	111,000.00	111,000.00	0%	2022	111,000.00
July 2001	196,000.00	196,000.00	0%	2023	196,000.00
July 2002	357,521.25	357,521.25	0%	2022	330,707.00
August 2002	970,000.00	970,000.00	0%	2024	970,000.00
August 2002	<u>588,000.00</u>	<u>588,000.00</u>	0%	2024	<u>588,000.00</u>
Total	<u>\$6,385,361.25</u>	<u>\$5,976,327.25</u>			<u>\$5,164,678.92</u>

### **Debt Currently Outstanding**

Debt Table B lists the current outstanding indebtedness of the County in the form of bonds, notes, and certificates of indebtedness:

#### **Debt Table B**

#### **PRINCIPAL AMOUNT OF DEBT OUTSTANDING**

**JUNE 1, 2004**

#### **GENERAL OBLIGATION BONDS**

<u>Date of Issue</u>	<u>Purpose</u>	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Coupon Maturity</u>	<u>Final Bond</u>	<u>Amount Outstanding</u>
10/01/92	Correctional Facilities	\$ 7,310,000	3.00-6.00%	M1-N1	05/15/09	\$ 1,130,000*
12/01/97	Middle East Fork Sewer	470,000	4.75-5.25	J1-D1	12/01/07	210,000
10/06/99	Communication System	6,500,000	4.00-5.125	J1-D1	12/01/09	4,270,000
11/01/01	Various Purpose Ref. & Imp.	19,995,000	2.15-4.10	J1-D1	12/01/11	18,630,000
07/01/03	Various Purpose Ref. & Imp.	14,950,000	1.15-4.375	J1-D1	12/01/23	14,950,000
07/01/03	Various Purpose Ref. & Imp.	<u>2,565,000</u>	1.30-1.50	J1-D1	12/01/05	<u>2,565,000</u>
		<u>\$51,790,000</u>				<u>\$41,755,000</u>

\*2,560,000 was defeased with a portion of the 11/01/01 Various Purpose Bonds

#### **SEWER AND WATER REVENUE BONDS -- R.C. SECTION 133.08**

<u>Date of Issue</u>	<u>Purpose</u>	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Coupon Maturity</u>	<u>Final Bond</u>	<u>Amount Outstanding</u>
09/15/03	Sewer Refunding	\$39,345,000	2.00-4.90	F1-A1	08/11/24	\$39,345,000
09/01/03	Water Refunding	<u>37,020,000</u>	1.20-5.25	F1-A1	08/11/18	<u>37,020,000</u>
		<u>\$76,365,000</u>				<u>\$76,365,000</u>

### SPECIAL ASSESSMENT BONDS

Date of Issue	Purpose	Original Amount of Issue	Interest Rate	Coupon Maturity	Final Bond	Amount Outstanding
11/01/84	O'Bannon Sewer	\$ 1,931,712	5.00	J1-D1	12/01/04	\$ 95,000
09/01/89	Water Line Extension	88,000	7.25-7.375	J1-D1	12/01/09	30,000
08/15/90	Peggy Drive Road Impr.	85,000	6.10-7.125	J1-D1	12/01/10	43,000
09/15/90	Water Line Extension	167,000	7.25	J1-D1	12/01/10	85,000
09/01/92	Water Line Extension	97,300	5.875	J1-D1	12/01/12	45,000
09/01/93	Murle Lane Sewer	93,000	5.50	J1-D1	12/01/13	50,000
10/15/96	Mt. Zion Water Main Extension	110,000	5.875	J1-D1	12/01/16	75,000
12/01/97	Middle East Fork Sewer	695,000	5.25	J1-D1	12/01/17	555,000
12/01/98	Bell's Lane	405,000	4.50	J1-D1	12/01/07	225,000
12/01/98	98 Water Projects	185,000	4.90	J1-D1	12/01/16	160,000
12/01/99	Woodspoint Drive	690,000	4.05-5.20	J1-D1	12/01/09	450,000
12/01/00	Gibson Road Water Main	235,000	5.00-5.50	J1-D1	12/01/20	215,000
12/01/00	Various Sewer Assessments	885,000	5.00-5.50	J1-D1	12/01/20	800,000
09/01/01	Loveland-Miamiville/Wards Corner	40,000	5.00	J1-D1	12/01/21	38,000
11/01/02	Waterline Improvement	60,000	4.00-5.00	J1-D1	12/01/22	58,000
11/01/02	Owensville North	260,000	4.00-5.00	J1-D1	12/01/22	250,000
11/01/03	Various Purpose Assessments	<u>240,000</u>	2.00-4.75		12/01/23	<u>240,000</u>
		<u>\$6,267,012</u>				<u>\$3,414,000</u>

### GENERAL OBLIGATION BOND ANTICIPATION NOTES

None

# Debt Table C-1

## SUMMARY OF DEBT SERVICE DUE ON OUTSTANDING OBLIGATIONS AS OF JUNE 1, 2004 BY PRINCIPAL ONLY

Date	BANS To Bonds	General Obligation Bonds	OPWC/ OWDA	Special Assessment Bonds	Water and Sewer	Total	% of Debt Service Remaining
12/31/04	0	\$3,840,000	\$219,623	\$333,000	\$3,840,000	\$8,232,623	93.58%
12/31/05	0	4,270,000	445,306	253,000	3,585,000	8,553,306	86.92%
12/31/06	0	4,395,000	454,279	266,000	3,670,000	8,785,279	80.07%
12/31/07	0	4,585,000	463,701	265,000	3,770,000	9,083,701	72.99%
12/31/08	0	4,775,000	473,604	288,000	3,875,000	9,411,604	65.65%
12/31/09	0	4,955,000	484,007	248,000	4,000,000	9,687,007	58.10%
12/31/10	0	5,155,000	494,937	164,000	4,160,000	9,973,937	50.33%
12/31/11	0	5,345,000	506,422	150,000	4,325,000	10,326,422	42.28%
12/31/12	0	1,330,000	510,162	152,000	4,500,000	6,492,162	37.22%
12/31/13	0	1,380,000	425,094	157,000	4,690,000	6,652,094	32.03%
12/31/14	0	1,085,000	326,730	152,000	4,880,000	6,443,730	27.01%
12/31/15	0	60,000	278,983	171,000	5,110,000	5,619,983	22.63%
12/31/16	0	65,000	245,366	175,000	5,350,000	5,835,366	18.08%
12/31/17	0	65,000	245,366	177,000	5,600,000	6,087,366	13.33%
12/31/18	0	65,000	245,366	125,000	5,875,000	6,310,366	8.42%
12/31/19	0	70,000	175,664	116,000	2,695,000	3,056,664	6.03%
12/31/20	0	75,000	175,664	127,000	2,815,000	3,192,664	3.55%
12/31/21	0	75,000	175,664	39,000	2,945,000	3,234,664	1.02%
12/31/22	0	80,000	175,664	38,000	215,000	508,664	0.63%
12/31/23	0	85,000	157,788	18,000	225,000	485,788	0.25%
12/31/24	0	0	78,894	0	240,000	318,894	0.00%
TOTALS	0	\$41,755,000	\$6,758,283	\$3,414,000	\$76,365,000	\$128,292,283	

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## Debt Table C-2

### SUMMARY OF DEBT SERVICE DUE ON OUTSTANDING OBLIGATIONS AS OF JUNE 1, 2004 BY TOTAL DEBT SERVICE

Date	BANS To Bonds	General Obligation Bonds	OPWC/ OWDA	Special Assessment Bonds	Water and Sewer	Total	% of Debt Service Remaining
12/31/04	0	\$4,578,001	\$269,222	\$427,738	\$5,370,218	\$10,645,179	62.45%
12/31/05	0	5,658,375	538,444	411,725	6,585,075	13,193,619	54.65%
12/31/06	0	5,668,215	538,444	412,199	6,578,875	13,197,733	46.90%
12/31/07	0	5,686,053	538,441	397,960	6,585,425	13,207,879	39.16%
12/31/08	0	5,714,803	538,444	407,606	6,584,570	13,245,423	33.93%
12/31/09	0	5,717,000	538,444	352,836	6,584,820	13,193,101	28.76%
12/31/10	0	5,730,106	538,444	255,601	6,584,820	13,108,972	23.86%
12/31/11	0	5,724,454	538,442	232,833	6,583,420	13,079,149	19.62%
12/31/12	0	1,501,189	529,943	227,233	6,585,420	8,843,785	15.40%
12/31/13	0	1,497,989	432,891	224,525	6,589,245	8,744,650	11.19%
12/31/14	0	1,153,309	328,803	211,486	6,585,208	8,278,806	7.01%
12/31/15	0	87,079	279,319	222,560	6,586,445	7,175,403	4.93%
12/31/16	0	89,709	245,366	217,560	6,586,670	7,139,304	2.85%
12/31/17	0	87,076	245,366	210,365	6,579,545	7,122,352	0.83%
12/31/18	0	84,411	245,366	149,123	6,585,245	7,064,144	0.50%
12/31/19	0	86,681	175,664	133,550	3,116,158	3,512,053	0.20%
12/31/20	0	88,706	175,664	138,388	3,114,883	3,517,640	0.00%
12/31/21	0	85,481	175,664	43,625	3,118,208	3,422,978	62.45%
12/31/22	0	87,219	175,664	40,715	248,320	551,918	54.65%
12/31/23	0	88,719	157,788	18,855	247,785	513,147	46.90%
12/31/24	0	0	78,894	0	251,760	330,654	39.16%
TOTALS	0	\$49,414,574	\$7,284,719	\$4,736,482	\$107,652,113	\$169,087,888	

### Grant Anticipation Obligations

The County currently has no grant anticipation obligations outstanding.

### FUTURE FINANCINGS

In 1991 the County launched a capital facilities improvement program entailing the design, construction and/or renovation of facilities and necessary fixtures and equipment in five major county functions and miscellaneous building improvements, portions of which began in the fall of 1991 and are continuing into the new millennium (the "Program"). Those five functions are: 1) law enforcement and correctional facilities; 2) administration and court facilities; 3) mental health services and programs, including drug addiction and alcohol programs; 4) communications facilities including 911 services; and 5) medical/health and social services. In 1998 a substantial road infrastructure improvement plan was added to the program.

The Sheriff's office administration, minimum security adult detention, County administration, Planning/Engineering, court facilities for Common Pleas Courts, including Domestic Relations and Juvenile divisions, Mental Health Services building and the 800 MHz